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SUBJECT: MADRID WEEKLY ECON/AG/COMMERCIAL UPDATE REPORT -  
JULY 2

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KIPR: Counterfeit ring taken down  
SOCI: 2,500 euros per newborn baby - to promote birth rate  
ENRG/EINV: Renewable Energy investments heating up  
ETRD: Vehicle sales down  
SOCI/ELAB: IBERO American countries to sign a social security  
agreement with Spain  
ELTN/EAIR: Low cost airlines see a 25% increase  
EAGR: Biothechnology corn growing despite lack of coexistence  
decree

LARGEST COUNTERFEIT LUXURY CLOTHING RING TAKEN DOWN

¶1. (U) Operation Glamour, a major police operation against  
pirating in Spain netted 334,095 name brand articles made in  
Asia with an estimated value of 25 million euros, according  
to Pedro Calvo, delegate of Community Security & Mobility.  
Operation Glamour was successful in dismantling an  
international sales ring of pirated clothing operating  
primarily from Leganes and in several of the capital's  
industrial premises.

¶2. (U) The items were made in Asia and introduced to Spain  
through Italy, Portugal and the Port of Valencia. There are  
three Spaniards, four Moroccans, two Senegalese and one  
Bangladeshi among the detained.

PRESIDENT ZAPATERO PROMISES 2,500 EUROS FOR EACH NEW BABY

¶3. (U) President Zapatero made a commitment to give families  
euros 2,500 per newborn during the State of the Nation debate  
on July 3. Once implemented, it will cost the GOS euros 1.2  
billion a year. The President specifically justified the  
measure by saying Spain needs more children given the  
country's low birth rate. The birth rate is currently about  
1.4 births per female. The replacement rate is 2.1 children  
per female. The money will go to Spaniards and legal  
immigrants to forestall attracting more illegal immigrants.  
(Comment: Interestingly, despite low birth rates, Spain's  
population has grown from 40 million to 45 million in the  
last five years, all of this attributable to immigration.  
Zapatero's gambit should, at least in part, be seen as an  
election sweetener as parliamentary elections must be called  
by March 2008 at the latest. In fact, this initiative was  
originally an idea from the opposition conservative PP party.  
During the debate, however, opposition leader Mariano Rajoy  
sarcastically complimented Zapatero, although he said the  
amount should be euros 3,000. The normally  
government-leaning El Pais criticized the planned aid, saying  
there should be a more comprehensive plan to increase  
fertility rates, and that not all families needed the money.)

(Expansion, July 4; El Pais July 5)

#### INVESTMENT BANKS INCREASE FINANCING FOR RENEWABLES

¶5. (U) Investment banks in Spain financed USD 2.5 billion in wind power investments in 2006 and nearly USD 1.7 billion in biofuel projects in 2006. Investments in these areas are likely to increase given the government's increased focus on renewable energy sources. Spanish companies will be the largest beneficiaries of these investments, but there will be opportunities for American companies as well. General Electric, for instance, manufactures wind turbines in Spain. (Expansion, July 4)

#### VEHICLE SALES CONTINUE TO SLOW DOWN

¶6. (U) According to Spain's vehicle manufacturer's federation, ANFAC, total vehicle sales in Spain fell by 1.6 percent in the first semester of 2007. Despite this overall decline, sales in luxury vehicles -- particularly luxury all-terrain vehicles -- increased dramatically during the same period. Local experts blame increasing interest rates as well as increased personal debt levels for the decrease, explaining that moderate and lower-income consumers are purchasing fewer cars. Citroen continues to hold its leadership position in the Spanish market, followed by Renault, Ford, Seat, Peugeot, Opel, Volkswagon, and Toyota respectively. Of these companies, only Citroen, Peugeot, and Toyota increased sales in Spain this past June.

#### SPAIN AND 20 OTHER COUNTRIES AGREE TO MUTUAL SOCIAL SECURITY

¶7. (U) According to sources within the Ibero-American Social Security Organization (OISS), Spain will soon sign a "mutual" social security agreement with 20 other Ibero-American countries that could benefit over 4 million migrant workers. These migrant workers, who might otherwise not accumulate minimum working periods in any one country to qualify for

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social security pensions, would be able to combine work periods in the various countries in which they work. Under the agreement, each signatory country would contribute the pro-rated social security pension amount corresponding to the time worked in that particular country. According to the OISS, Spain has more than a million workers from Ibero-American countries.

#### LOW-COST AIRLINES INCREASE TO 25 PERCENT OF SPANISH MARKET

¶8. (U) Director General Victor Aguado of the European Association for the Safety of Air Navigation (Eurocontrol) indicated this past week that the low cost airlines in Spain had grown by 36 percent in the first semester of 2007, increasing its sector share to 25 percent. Conventional aviation companies in comparison grew by only 15 percent during this same time period. Spain is the EU country with the second largest share of low-cost airlines (after Great Britain). Eurocontrol estimates that air traffic will increase to higher levels in Spain than in the rest of the EU in the upcoming year.

#### BIOTECHNOLOGY CORN STILL GROWING WITHOUT COEXISTENCE DECREE

¶9. (U) After more than a decade of growing biotechnology corn, and three years of Government of Spain ministries trying to agree on a coexistence decree to control that production, Spanish corn farmers continue growing biotechnology corn without environmental incident, and without a decree to "protect" the environment, organic farmers, and/or consumers, as demanded by the anti-biotechnology lobby. And, with each successive successful year, the "case" for a Government-imposed decree becomes increasingly more difficult to justify, unless forced politically via an internal domestic Government decision/agreement or an unequivocal European

Commission-mandated requirement. Within the EU, Spain has the largest number of hectares used for biotech cultivation.

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